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ABSTRACT

To address the skills shortages stemming from the transition to a more technological and skills-intensive economy, Congress established a program whereby funds from H-1B visa fees would provide seed funds for private companies, labor, and government to join together in creating training alliances focused on skills in short supply. Unfortunately, the program has failed to live up to expectations. It has therefore been recommended that Congress create a National Skills Corporation (NSC) and fund it in part by transferring the Department of Labor's (DOL's) H-1B training funds to the corporation. Modeled after the Universal Service Administrative Company, which administers universal telephone service funds, the NSC would serve as a nonprofit corporation governed by a board consisting of leaders from business, organized labor, higher education, and government. The NSC's mission and operation could be modeled by the United Kingdom's new Sectoral Skills Development Agency, which is a non-departmental public body designed to fund the new United Kingdom-wide network of employer-led sectoral skills councils. The NSC would make grants to support industry- and/or union-led skills alliances. Alliances would need to provide at least one-to-one matching funds. The corporation would be funded with the funds currently allocated for DOL's H-1B program and additional Congressional allocations. (MN)

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Creating a National Skills Corporation

Rob Atkinson

Three years ago, at the height of the 90s economic boom, Congress was deadlocked over whether to lift the cap on the number of visas granted each year for highly skilled foreigners to work in the United States. One side argued that a dearth of technically proficient workers here left fast-growing U.S. businesses with no choice but to import workers from abroad. The other, backed by organized labor, argued that increasing the number of high-skilled immigrants was coming at the expense of American workers.

Congress eventually broke the impasse by adopting a PPI proposal to "lift the cap, but fill the gap." This progressive bargain entailed lifting the cap on so-called H-1B visas from 65,000 to 115,000, and using the proceeds to fund an innovative new training system. To "fill the gap" for U.S. workers, PPI proposed a nationwide system of "regional skills alliances" modeled on the highly successful Wisconsin Regional Training Partnership.[1] Using visa fees to provide seed funds for private companies, labor, and government to join together in creating training alliances focused on skills that were in short supply was key to this proposal.

Three years later, this innovative effort to launch public-private partnerships for skills training has been stymied by the Department of Labor's (DOL) unwillingness and inability to focus the program on skills partnerships with the private sector. Instead of funding such hybrid partnerships virtually all of the funding has gone to the existing local DOL-supported Workforce Investment Boards. Seeing the opportunity to cut the federal budget, the Bush administration recently proposed scrapping the program and turning the money over to INS.

Instead of cutting a needed program, Congress should make the program work, but not by incremental reform in the Department of Labor. Rather, **Congress should create a National Skills Corporation and fund it in part by transferring DOL's H-1B training funds to the Corporation.** Modeled after the Universal Service Administrative Company, which administers universal telephone service funds, the National Skills Corporation (NSC) would serve as a non-profit corporation governed by a board appointed by Congress and the president, and made up of leaders from business, organized labor, higher education, and state and local government, as well as the U.S. Departments of Education and Labor. The NSC would act as co-funders in partnership with industry and/or unions' regional and sectoral skills alliances around the nation.

Background of the H-1B Skills Training Program

In 1998, when Congress was first debating whether to increase the H-1B visa program, PPI proposed that Congress "lift the cap, but fill the gap." To correct the imbalance for skilled workers, PPI proposed that Congress create a regional skills alliance program. Our proposal had two critical aspects. First, because we believed that the challenge of providing skilled workers, including those using H-1B visas, was a "demand side" challenge that could only be met by getting companies more engaged in upgrading the skills of incumbent and new workers, we proposed that the Department of Commerce administer the program. We believed that DOL would continue their long-standing practice of funneling program training funds to the DOL infrastructure of local Workforce Investment Boards (WIB) and would subsequently not run the program in a way that adequately involved industry and unions. Second, in order to ensure that industry would take

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this skill shortage challenge seriously and make the kind of commitment that was needed, we argued that the proposed skills alliances be led by industry and/or union groups. That meant not only that the skills alliances should be run by industry (with union involvement wherever possible), but that industry contribute a share of the alliance funding. In response to the PPI proposal, Sens. Lieberman (D-Conn.) and Sarbanes (D-Md.) and Reps. Drier (R-Calif.) and Moran (D-Va.) proposed legislation based on the these concepts.

From the beginning, however, there was significant opposition to the two key aspects of the program. Because DOL believed they should administer any program that involved training, even if it was focused on businesses, they were able to convince the Clinton administration to support giving them the authority. In addition, after Congress had passed the Workforce Investment Act, which consolidated a number of training programs within DOL, some in Congress felt that all training programs should be in DOL. As a result, the final H-1B legislation, the American Competitiveness and Workforce Improvement Act of 1998, charged DOL with administering the program.

Since the legislation encouraged DOL to fund industry-led skills alliances, there was hope that DOL might still design a program that sought to engage industry and unions in the challenge of upgrading skills. However, from the beginning, DOL saw the program as providing a needed infusion of cash to support their existing under-funded system of local WIBs. DOL continues to view the program in this way: "The H-1B technical skills training grant program is a key part of America's Workforce Network." Because DOL knew that the intent of the legislation was to involve industry in a significant way, they encouraged WIBs to write proposals that gave the impression of industry involvement. But not surprisingly, until recently, all of the H-1B grants went to government training organizations and not to alliances of companies.[2] DOL argues that the statute limits them to only funding local WIBs, but the reality is that the legislation gives DOL the ability to fund industry-union partnerships that work with WIBs.

Because of dissatisfaction with the way DOL was administering the program, Sen. Lieberman was able to insert a provision in legislation in 2000 to require that the program allocate 25 percent of its funds directly to industry-led alliances modeled on the PPI proposal. But this has proven difficult in large part because DOL made the program application process so complicated and lengthy, it is daunting to all but the most experienced professional government grant writer. Among the array of information required, grantees must submit quarterly financial reports as well as quarterly progress reports that include information such as the number of promotions and wage increases workers in the training program received. They must also send in three copies of a final report. Of course, most industry or union-led alliances probably never would have even gotten to this information as it was buried in a 23 page Federal Register Notice that only an administrative law attorney could understand.[3] Not surprisingly, virtually all of the program funding in the 25 percent pool went to community colleges or similar organizations, and not to true industry-led skills alliances. When funding did go to companies it went to large individual companies and not to alliances.

While well-intentioned, DOL's obsession with paper-intensive and complicated application and grant management processes is overkill. When companies in alliances are risking their own money to support the alliance there is less need for the traditional form-based accountability. Companies have built in accountability—they want to get a return on their investment in the form of better trained workers.

Which brings us to today. Purportedly because of concern that the program was not working, the Bush administration said it would propose legislation to redirect the $138 million in training-grant fees raised through the H-1B program to help the Immigration and Naturalization Service (INS) speed its processing of permanent employment visas. But dissatisfaction with the program's performance is just a smoke screen for the real motivation: finding money to offset the costs of their huge tax cut passed last year. This is

why in addition to cutting the H-1B training program, the administration has also proposed cuts in DOL training programs of over $600 million for the upcoming fiscal year. But this is a classic case of bait and switch. When the 2000 legislation to expand the visa cap was being debated, industry agreed to support the new legislation provided that the increased visa fees ($1,000) would be used for training and college scholarships.

Why Skills Alliances Make Sense

It is becoming clear to many firms and training experts working in the trenches of the New American Economy that if we are going to meaningfully address the nation's skill shortages, we have to motivate and assist companies to work collaboratively to lead this process. First, employers are the best positioned—often in partnership with others, such as unions—to identify the skills and knowledge needed for emerging jobs. Moreover, by letting employers lead, it is much easier to tie training directly to employment.

While employers need to take the lead, crafting effective solutions requires collaboration among firms. Because a skilled workforce benefits all firms in a region, a small handful of skills alliances have already been established, often with large firms and their employee unions. It has been more difficult for small- and medium-sized firms to band together to tackle education and training needs. As a result, a critical task is helping firms build ongoing capacities to collaboratively address their own industries' workforce development issues.

Collaborative solutions are more effective than going it alone. By working together, firms in the same or similar industries can pool resources (information, on-the-job training opportunities, equipment, curricula) that lower the cost of training. Moreover, by supporting sector-based alliances (e.g., information technology, metal working, nursing), firms focus on building a regional training pool, rather than on "poaching" from other firms to get workers. Collaboration allows firms to develop joint solutions and communicate these to educational institutions. Without this ongoing collaboration, it is often very difficult for educational institutions to communicate effectively with industry and develop needed curricula.

This is not to say "supply-side" training programs that don't involve employers are not useful and sometimes effective. It is to say that to build a successful workforce development system, policymakers need to catalyze the formation of demand-side initiatives that directly involve companies and/or unions. There are a number of examples of successful alliances. The National Coalition for Telecommunications Education and Learning (NACTEL) is an industry-driven alliance of four telecommunications companies and two unions to provide an online degree program—an AS degree in Communications IT granted by Pace University.[4] In a more traditional industry, the Hotel and Restaurant Employees Union opened a training center in 1993 and has provided training for more than 13,000 new workers for the rapidly growing world-class hotels in Los Vegas.

What is the Solution?

The DOL has made it clear through their actions that it is not interested in moving toward industry-led training solutions. Moreover, even if they had the desire and interest to do this, bureaucratic restrictions and inertia would keep them from designing an easy-to-use, business friendly program that would support innovative proposals. As a result, in order to jump-start industry-led skills initiatives, we propose that the federal government create a new, private, and nonprofit organization called the National Skills Corporation. The NSC would have a board of directors made up of business and labor leaders, educators, and state and local elected officials appointed by the president and Congress. In addition, the board would have as ex-officio members the Secretaries of the Department of Education and Labor (or their designees). In order to ensure it has the flexibility to respond to a changing marketplace and is able to hire the best people, the organization would not be subject to civil service rules. The vision here is not to create a large new bureaucracy, but rather a lean and flexible organization of no more than 25

individuals whose job would be to manage this initiative.

While not the conventional institutional solution, such a nonprofit corporation is by no means a new model. Many states and nations seeking to reinvent and bring entrepreneurial flexibility to government have transferred these kind of operational (as opposed to regulatory) tasks from large, bureaucratic agencies and to smaller, more flexible, and results-oriented public or private nonprofit organizations. For example, the Massachusetts Commonwealth Corporation is a quasi-public agency that provides workforce development services to companies.

More ambitiously, the Blair administration recently created an new initiative to fund and support the new UK-wide network of employer-led Sector Skills Councils (SSC). Because they wanted this initiative to be flexible enough to interact effectively with businesses, trade associations, and unions, the Blair administration specifically did not place the program in the Departments of Education and Labor. Rather they established a new Sectoral Skills Development Agency (SSDA) as a non-departmental public body, with a CEO and an employer-led Board.[5] Employees are not members of the civil service. Companies interested in forming SSCs submit short business proposals to the SSDA for evaluation and, if approved, are eligible for grants to develop full-blown business plans. The task of the SSDA is to:

- Assist sector employers bidding to become SSCs;
- Fund, support, and monitor the performance of SSCs across the UK;
- Ensure quality and consistent standards across the network;
- Provide minimum cover for essential functions in sectors without an SSC;
- Ensure skills provision is designed to meet sector needs;
- Promote best-practice sharing and benchmarking between sectors; and
- Provide a website portal for public bodies and individuals to access high quality sectoral labor market intelligence across the UK.

We believe that this is the type of institutional approach that America needs to foster industry and union led training partnerships. The NSC would make grants to support industry- and/or union-led skills alliances. Under its charter it could make grants to a variety of entities, including: 1. a group of companies seeking to create multi-state sectoral training alliances—for example, several semiconductor manufacturers might choose to create a national training program through community colleges in semi-conductor fabrication; 2. groups of companies in a region seeking to boost skills—for example, a group of hospitals in a region might collaborate to create a nurses' training program to move lower skilled health care aids into nursing positions—these alliances would need to have meaningful participation with a large number of firms (ideally at least 10 firms); and 3. a state that has its own regional skills alliance program and puts matching funds in to fund sub-state alliances. In addition, like the SSDA in the UK, the NSC would provide advice to groups seeking to form consortia and provide a compendium of best-practices in industry- and union-led consortia.

These alliances would have to be industry-led and include direct industry participation. In addition, regional chapters of industry trade associations, chambers of commerce, or unions would also be eligible to apply. Alliances would have to provide at least one-to-one matching funds. For every $2 in federal funds, the state and/or local government would need to provide at least $1, and industry would match that $1. Industry equipment donations to shared, off-site facilities (e.g., community colleges) would count as matching funds, while "in-kind" donations would not be matching funds but would be considered in ranking proposals.

The corporation would be funded in two ways. First, all the funds currently allocated to the DOL for its H-1B training program would be reallocated to the NSC. The Corporation would be directed to invest these funds on training alliances focused on reducing the need for H1-B visas. One criticism of the H-1B program is that it didn't focus on providing training in occupations related to H-1B visas. In some respects, this is unfair, as the program wasn't designed for earning bachelor's or master's degrees. Rather, it focused on training people to serve as technicians, Web designers, and network administrators—occupations might serve as feeders for higher-level careers. At the same time, however, the program could have done more to support industry-led efforts specifically targeted at higher-skilled occupations. For example, in 2001, the Texas Engineering and Technical Consortium, a public private partnership designed to increase the number of electrical engineers and computer scientists graduating from Texas universities, applied for DOL funding to match state and industry funding. DOL informed them that they were not eligible because the funds couldn't be used to help people earn college degrees. A program like what Texas employers proposed should qualify for support under this program, particularly if focused on helping traditionally under-represented populations earn these degrees.

Second, in order to ensure that a wide range of industry-led alliances can be funded, including those that focus on skills not related to H-1B occupations, Congress should allocate an additional $50 million per year to support alliances. This funding could either be new monies or be transferred from the existing DOL training budget. Although, given the limitations of existing DOL training funds for WIBs, especially in the face of Bush's proposed tax cuts, it would be better to invest new monies in the NSC.

Conclusion

The transition to a more technological and skills-intensive economy has led to skills shortages in many industries and regions of the country. Yet the DOL's H-1B skills training program has not proven to be up to the task at hand. Rather than kill an ineffective program and divert industry visa fees to purposes other than what they were intended for, Congress should make the program work by creating a National Skills Corporation.

Robert D. Atkinson is vice president of the Progressive Policy Institute and director of its project on Technology and the New Economy.

Endnotes

[1] http://www.cows.org/pdf/projects/wrtp/rp-wrtp-97.pdf.
[2] www.doleta.gov/h-1b/.
[3] wdsc.doleta.gov/sga/sga/01-105sga.htm.
[4] www.nactel.org.
[5] http://www.ssda.org.uk/about.shtml.

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